and usercharges coupled with increasing non plan revenue expenditure have had an adverse impact on the finances of the States. The financial management of the States is primarily the responsibility of the State Governments and it is for the respective State Government to initiate remedial action. However, pursuant to the recommendations of the Eleventh Finance Commission, a scheme for the States' Fiscal Reforms facility has been drawn up. Under the scheme, States have been encouraged to draw a monitorable fiscal reforms program aimed at improving their financial position in the medium term.

Efficacy of Liberalisation and lower tax rates

263. SHRI V.V. RAGHAVAN:
SHRI J. CHITHARANJAN:

Will the Minister of FINANCE be pleased to state:

(a) Whether it is a fact that the liberalisation combined with lower rates of tax policy has not translated itself into higher growth and higher tax receipts for Government;

(b) if so, the details thereof; and

(c) the changes proposed to be made in the current economic policy in view of its failure to fulfil the objectives?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) to (c) Reform of the tax system has emphasised the need to move to a tax structure which is simple, relies on moderate tax rates with a wider base and better enforcement and serves the objectives of equity and efficiency. Tax reforms have helped in restructuring the tax system by increasing the role of direct taxes and reducing that of customs duties in particular. Peak basic customs advalorem tariff rate has been reduced from more than 300 per cent in 1990-91 to 35 per cent in 2001-02; similarly peak basic advalorem excise rate has been reduced from 110 per cent in 1990-91 to 16 per cent Central Value Added tax plus 16 per cent special excise duty. On the direct tax front, the maximum income tax rate on individuals & Hindu undivided Families was reduced from 50

per cent in 1990-91 (assessment year) to 30 per cent in 1998-99 (assessment year) and has been retained at that level, similarly the tax rate on domestic and foreign companies was reduced from 50 per cent and 65 per cent in 1990-91 (assessment year) to 35 per cent and 48 per cent respectively in 1998-99 (assessment year) and have been retained at that level. These changes in the tax system are expected to increase both the equity and efficiency of the tax system of the Central Government. Tax receipts depend on a host of factors, which *inter alia* include rate structure, tax base, exemptions, efficiency of tax collection machinery etc. Economic growth also depends on a host of factors, which among others include investment, efficiency of use in capital, performance of various sectors etc. The trends in the economy are closely monitored and under constant review and appropriate measures taken in the light of emerging trends as and when necessary. The Table below provides trend in growth of Gross Domestic Product and Gross Tax Revenue of the Centre during the 1990s.

Growth in Gross Domestic Product (GDP) & Gross Tax Revenue (of the Centre)

	GDP		Gross Tax Revenue	
	Rs. Crore	%Growth	Rs. Crore	%Growth
1	2	3	4	5
1990-91	693051		57576	
1991-92	702067	1.3	67361	17.0
1992-93	738003	5.1	74637	10.8
1993-94	781345	5.9	75743	1.5
1994-95	838031	7.3	92294	21.9
1995-96	899563	7.3	111224	20.5
1996-97	970083	7.8	128762	15.8
1997-98	1016266	4.8	139221	8.1
1998-99	1083047	6.6	143797	3.3

1	2	3	4	5
1999-2000	1151991	6.4	171752	19.4
2000-01	1211747(R)	5.2	188365	9.7

NOTE : GDP is at factor cost at constant (1993-94) prices
R:Revised Estimates.
Gross Tax Revenue figures for 2000-01 are based on Provisional.
Accounts (unaudited) Union Government.

Functioning of Co-operative Banks

264. SHRI RAMACHANDRAN PILLAI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that besides the collapse of madhavpura Mercentile Co-operative Bank the function of four other Co-operative banks has failed and may lead to their liquidation;

(b) if so, the names thereof along with the details about their dubious transactions; and

(c) what steps are being taken by Government through Reserve Bank of India to make the co-operative movement a success in all spheres including banking throughout the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) and (b) Reserve Bank of India (RBI) has reported that the urban co-operative banks *viz.* Friends Co-operative Bank Ltd., Mumbai, Western Co-operative Bank Ltd., Mumbai, First City Co-operative Bank, Hyderabad and Sitara Co-operative Bank, Hyderabad were already classified as 'weak' much before the Madhavpura Bank crisis and were under rehabilitation. These banks had been classified as 'weak' in view of high erosion in the value of assets and other irregularities in their operations and have nothing to do with the Madhavpura Bank crisis.

(c) With a view to strengthen and streamline the operations/ functioning of urban co-operative banks, RBI has announced certain